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UNCLAS SECTION 01 OF 05 TRIPOLI 000293

SIPDIS

STATE FOR NEA/MAG, COMMERCE FOR NATE MASON, ENERGY FOR GINA ERIKSON, (NATHAN MASON), ADVOCACY CTR (REITZA), AND CLDP (TEJTEL AND MCMANUS) CAS FINANCIAL ATTACHE (SEVERENS) LONDON AND PARIS FOR NEA WATCHER

E.O. 12958: N/A

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SUBJECT: LIBYA COMMERCIAL ROUND-UP FOR MARCH 2009

ENERGY

11. (U) Libya Oil Holdings Changes its Label Brand in Morocco: The Libyan state-owned oil group Libya Oil Holdings (LOH), which manages a network of 182 fuel distribution stations in Morocco, will now be called "Oil Libya" in Morocco. LOH is an integrated oil company involved in the shipping, trading, refining, marketing and sale of crude oil and refined petroleum products in 21 countries in Africa. [africanmanager, 3/1/2009]

12. (U) Tripoli Asks Oil Firms to Cut Production Share: Libya's state-owned National Oil Corporation (NOC) announced in its website that it will negotiate with four international oil companies, - Wintershall, ConocoPhillips, Amerada Hess and Marathon Oil - operating in the country to accept a lower share of oil production. The three American firms are NOC's international partners in the Oasis Waha Oil Company. Negotiations with Wintershall started in 2008, and Wintershall expects an amicable solution, which allows both sides to reach their aims in Libya as it was done in previous renegotiations signed with other international oil companies during 2008. [MEED, 3/4/2009]

13. (U) Eni Opens Tender for Libyan Gas Project: Italian oil major Eni is to launch Libya's first water alternating gas (WAG) scheme as part of its program to increase reserves at the Bu Attifel field in the east Sirte basin. The enhanced oil recovery pilot project involves the alternate injection of water and gas to provide better production efficiency and reduce wastage from the injection process. Current production from the field is about 90,000 barrels a day. Eni is operator of the field as part of an equal joint venture with the state-owned National Oil Corporation. Eni says the scope of the project involves the conversion of existing deep wells to water alternating gas injectors along with a connection to an existing water injection network and new high pressure gas compressor station. [MEED, 4/5/2009]

14. (U) Joint Venture Firm to Manage Ras Lanuf: Libya's National Oil Corporation (NOC) has set up a joint venture company with the UAE-based Trusta group to develop the Ras Lanuf oil refinery in Libya. The new joint venture company, named Libyan-Emirates Refining Company (LIRCO), will upgrade the refinery, Libya's largest export facility, to produce output that is easier to market in Europe. The company was formed with \$375 million dollars in combined assets; the two sides look to invest nearly \$2 billion dollars in the joint project. The initial agreements were signed last year. The NOC had previously announced plans for 2009 to choose a partner to revamp and possibly expand the Azzawiya Oil Refining Company, its second-largest oil processing

plant; where the partner would take a 50 percent stake in the plant, which processes 120,000 barrels of crude a day, in return for funding the upgrade. [Reuters, zawya.com, bloomberg.com 3/10/2009]

¶15. (U) NOC Chairman Says "Libya Plans to Buy All of Verenex Energy": Libya plans to buy all of Canada's Verenex Energy Inc, said the chairman of Libya's National Oil Company, Shukri Ghanem. Ghanem said Libya plans to buy all of the company, not just its assets in Libya, by exercising an option to pre-empt a friendly C\$10-a-share bid by China National Petroleum Corp.(CNPC), offering the same price as the agreed by CNPC. With the assumption of debt, the CNPC offer is worth \$406 million dollars. So far, there is no sign Libyan authorities have taken any of the steps buyers of listed companies usually take, such as hiring advisers or issuing a formal bid, suggesting the sale may not happen quickly. [Reuters Africa, 3/26/2009]

¶16. (U) Gazprom Opens Tenders for Libyan Oil Blocks: Russian Gazprom Libya has invited contractors to prequalify for nine projects to support exploration activities in its two blocks in Libya. Gazprom won an exploration contract offshore in Libya's third licensing round in 2008 and won an exploration contract onshore in Libya's fourth licensing round. Gazprom Libya expects the basin-modeling work to run from May until November, while it expects the environmental work to start in January 2010. [MEED, 3/28/2009]

¶17. (U) Verenex to slow work in Libya's Ghadames in 2009: Canada's Verenex Energy is temporarily reducing the pace of its exploration program in Libya 40% from the original 2009 budget adopted in October 2008. Also, Verenex announced that its latest exploratory well drilled had strong gas shows and found

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extensive fracturing in the hot shale, which represents a potential oil and gas resource play. [Oil & Gas Journal, 3/12/2009]

¶18. (U) Libya to invest \$10-\$12 Billion in Oil Projects in 2009: Libya's National Oil Corporation (NOC) chairman, Shukri Ghanem, said that Libya will invest \$10 billion to \$12 billion in its oil industry in 2009, exceeding its total investment from last year. Ghanem also estimated that the oil market currently has a surplus of 1 million barrels a day of crude oil production. [Dow Jones, 3/14/2009]

¶19. (U) Libyan Center for Remote Sensing Contributes to the Publication of First Digital Geo-Mineral Map of Arab Homeland: Arab Organization for Industrial Development and Mining has announced the publication of its first digital Geological and Mineral Map of the Arab Homeland. 70 percent of the total map has been digitized. The map would help research, exploration activities and mining operations in Arab countries attracting investors in the mining sector through the definition of the mineral areas and promising areas for mining investment. [Jana, 3/15/2009]

¶10. (U) Libya Gas, Oil Bidding Unlikely This Year: On the sidelines of the 2009 Offshore Mediterranean Conference, Ahmed al-Ghabber, a senior adviser to the management committee of Libya's National Oil Corporation (NOC), said Libya is unlikely to open an oil and gas bidding round this year, adding that the NOC is busy enough trying to consolidate recent project developments by companies working in the country. [Reuters Africa, 3/25/2009]

¶11. (U) Shell Holds a Workshop on Oil Fields Development Techniques: As part of the agreement on technology transfer between Shell Libya and the National Oil Corporation (NOC), Shell held a workshop for NOC employees on the latest techniques used in the development of oil fields. Shell's team introduced the latest techniques used in the additional recovery, and technical and commercial ways in oil fields development. [NOC website, 3/26/2009]

¶12. (U) Increase in Local Petroleum Prices: During the people's congress meeting, congress members refused GPC's latest decision related to the increase of local petroleum prices, including gasoline, starting March 1st. GPC will consider canceling the decision. [libyaninvestment.com, 2009-03-05]

BANKING

¶13. (U) Libya to Issue New Bank Notes: The Central Bank of Libya announced on Thursday that it will issue new bank notes in the form of 20 Dinar notes (1,300 Libyan Dinars = 1 U.S. dollar), 10 Dinars, 5 Dinars and 1 Dinar on the occasion of the 32nd anniversary of the proclamation of people's power in Libya celebrated on 2 March every year. The new bank notes were put into circulation alongside the former notes of the same value on March 3rd. [afriquejet.com, 3/3/2009]

¶14. (U) Increase in the Number of Bank Costumers: The number of customers who deal with banks in Libya during the years 2007-2008 increased by 7%, up to two million four hundred thousand customers. Al-Jumhuriya Bank reported that Libya has seen an economic development increase by 24% during the past five years, adding that the increase in the Libyan market competition requires all banks operating in Libya to adopt a scientific method and the advanced platform to improve its performance through training of Libyan bankers and improvement of human resources. [Libyaonline.com, 3/252009]

¶15. (U) First Conference of Libyan Bankers: The conference was organized by the Libya Central Bank under the theme "Together towards Promising Banking Sector". Topics discussed included: the financial strategies of the Libyan Central Bank for widening the banking reserve, the importance of renovating the banking role and of advancing internal auditing of banks working in Libya. [JANA, 3/21/2009]

¶16. (U) Libya to Sell 25% of Jumhuriya Bank: The Governor of Libya's Central Bank announced Libya's intention to sell at least 15 percent of Al Jumhuriya Bank on the local stock market. Jumhuriya is Libya's biggest state-owned bank with a capital of more than 1 billion dinars after merging with al-Oumma Bank, the fifth-largest state-owned bank. Financial authorities will

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assess the impact of the first foreign banks in the country in more than three decades before continuing with more privatizations. [Tripoli Post, 3/25/2009]

¶17. (U) Libya Aims to Grant Licenses for Foreign Lenders to Enter Libya Next Year: The Governor of Libya's Central Bank announced that Libya will grant the licenses either alone or in partnership with Libyan investors. "Now we are working on conditions and standards to grant licenses," he said. "We are working also on the number of licenses that might be granted to foreign banks." He said the aim would be to allow competition without harming Libya's banking sector. [Tripoli Post, 3/25/2009]

REGIONAL ISSUES

¶18. (U) Libya to Build 22-story, five-star Hotel in Mauritanian Capital: Libya will fund the construction of 30 million Euros hotel in Nouakchott. The hotel named "al-Fateh" will be built near the national army headquarters in Nouakchott. The construction process, scheduled to last for over 20 months, will create 450 jobs, while the hotel will create 300 jobs upon completion, including 90% of Mauritanians. The al-Fateh hotel will be built under the form of a date palm tree. The highest building in Nouakchott so far does not exceed 10 stories. [Tripoli Post, 3/14/2009]

¶19. (U) African Development Bank signs Loan Agreement with Egypt: The loan of \$450 million dollars will be allocated for the implementation of the project of building thermal-steam generators near the port of Ain Sukhna, which lies 120 kilometers east of Cairo. The aim of the project is to increase production capacity strengthening the infrastructure that would

allow Egypt to meet the demand for electric power. The total cost for the project is estimated at 85.1 billion dollars. [afdb.org, 3/23/2009]

¶20. (U) Libya Gives Eight Tractors to The Gambia: The provision of these tractors to The Gambia is part of the agreement between the two nations in contribution to the development of the agricultural sector in The Gambia. Libya also will provide twenty Vietnamese experts on agriculture for two years. [Allafrica, 3/25/2009]

LABOR

¶21. (U) Libya to Recruit Thousands of Bangladeshi Workers: Libya will recruit thousands of workers from Bangladesh as part of an infrastructure development plan worth more than \$100 billion. The Libyan Embassy in Dhaka is issuing about 300 visas per day and that number will increase due to a huge demand for workers in Libya. Bangladesh is one of the world's poorest countries and depends heavily on remittances from expatriate workers, but host countries are facing problems with their own slowing economies. [Reuters, 3/23/2009]

INVESTMENT

¶22. (U) Libya's 2008 Balance of Payments Surplus at \$44 Billion, Reserves at \$136 Billion: The Central Bank of Libya announced that Libya had \$44 billion balance of payments surplus in 2008. The Governor, Farhat Omar Bin Guidara, told the General People's Congress that Libya's foreign currency reserves were at \$136 billion at the end of 2008. Libya is among the few countries which are free of any foreign debt, which also helps it maintain a strong balance of payments. Guidara said Libya's medium term financial situation would not be a source of concern despite the global financial crisis, and anticipated a non-oil economy growing by 5-7 percent for 2009, with government spending the main engine of growth. Libya's cumulative oil revenues were \$462 billion for the 1970-2008 period, with average annual oil earnings at \$11.8 billion, according to government data. The Libyan government spent \$162.3 billion for the same period according to government figures released to the General People Congress. [Reuters, 3/6/2009]

¶23. (U) India and Libya to Promote Investment: India and Libya entered into an agreement to promote investment by granting each other most favored nation treatment. The Bilateral Investment Promotion and Protection Agreement (BIPA) between India and Libya has been ratified in both sides. According to the agreement, both the countries will encourage and create favorable conditions for investors of each other to make investments in their region and to admit investments in

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accordance with their laws. [India News Online, 3/25/2009]

¶24. (U) Libya Establishes 20 Billion Libyan Dinar Fund to Finance Medium and Small Businesses: The Tripoli Business Incubator program has been established to help Libyan graduates, unemployed and women to find suitable finance for their projects and provide them with general business assistance. Libyan authorities are to establish more business incubators in other cities. The Tripoli Business Incubator will be assisted in its early stages by the Jordanian Expertise House. [Tripoli Post, 3/14/2009]

¶25. (U) Standard & Poor's Agency Issues Credit Rating to Libya: Standard & Poor's (S&P), a U.S. ratings agency, has issued its first credit rating for Libya, assigning the country A- for its long-term prospects and an A-2 rating for the short-term. The rating is the first assigned to Libya since the country began to emerge from international isolation in 2003. The credit rating agency says the outlook for Libya is stable, noting that the country holds substantial assets and little debt. S&P notes its rating is constrained by "limited transparency of official decision-making in Libya", and remarks that private sector development remains at an early stage. [MEED, 3/18/2009]

CONSTRUCTION

¶26. (U) Marriott International to Open 370-Room Hotel in Tripoli in 2011: Marriott International announced that it would open a luxury JW Marriott Hotel in Tripoli by 2011. The 370-room JW Marriott Hotel Tripoli is owned by Daewoo Tripoli Investment and Development Co., a joint venture between Korean Daewoo Engineering and Construction and Libyan Oyia Co. and will be managed by Marriott under a long-term contract. The 36-story, innovatively-designed hotel will be located in Tripoli's new central business district. [Tripoli Post, 3/14/2009]

¶27. (U) Korean Lotte Engineering & Construction Company Wins \$76 Billion Dollars Project in Libya: The project consists of the construction of facilities including roads, drainage system, water service, electricity and communications on a 415 hectares area of land located 100 kilometers west of Tripoli. The construction is expected to take 48 months until the completion. [Einnews, 3/12/2009]

¶28. (U) Libyan Cement Company Undergoes Major Internal Upgrading: The Joint Libyan Cement Company Incorporated (JLCC), established as a Libyan company by the Economic and Social Development Fund (ESDF) and the Austrian Asamer Group in 2008, has undergone through major internal changes, restructuring the existing management, and is undertaking an investment program to repair, modernize and upgrade the cement plants in Benghazi, Hawari and El Fathaia in order to increase production of cement to meet the market demand in the long term. All these changes are planned to be fully completed by the end of 2009. [Tripoli Post, 3/25/2009]

¶29. (U) Opening of Al-Wahat Hotel in Houn City: Houn, an oasis town 500 kilometers southeast of Tripoli, was the administrative capital of the Italian region of Fezzan and now is one of the new tourist landmarks in Libya. Al-Wahat hotel was built on an area of 40,000 square meters. [JANA, 3/25/2009]

¶30. (U) Chinese Gezhouba Wins \$400 Million Dollars Contract in Libya: Chinese Gezhouba Group Corp, one of the biggest engineering and construction enterprises in China, signed a construction contract worth \$406 million dollars with the Housing and Infrastructure Board of Libya on March 25. According to the agreement, Gezhouba Group will offer services of survey, evaluation, planning, design and construction of an infrastructure project in southwestern Tripoli. The project is expected to take about four years. [China Knowledge, 3/30/2009]

¶31. (U) Dubai's Drake & Scull to Set Up Libyan Unit: Dubai contractor Drake & Scull International is setting up a Libyan unit this year, its second venture in Africa, as it expands abroad and weathers a downturn at home. The construction sector is suffering a sharp slowdown in the UAE, while Libya is undertaking a \$126.5 billion five-year infrastructure redevelopment plan to modernize water and sanitation facilities and build airports, schools and houses. [Reuters, 3/31/2009]

TRANSPORTATION

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¶32. (U) New Airbus Planes are Delivered to Afriqiyah Airways: Afriqiyah Airways will inaugurate new lines in July, September and November according to its development plan. Starting in July, there will be two weekly flights to South Africa, Dubai and Manila; as from September, there will be three weekly flights to Congo Brazzaville and by November, two weekly flights between Tripoli and Beijing. [libyaninvestment.com, 3/5/2009]

AUTOMOTIVE

¶33. (U) Chinese Great Wall Motor Company to Export 3,300 Pickups to Libya: Chinese Great Wall Motor Company (GWM) won a Libyan government procurement order to supply 3,300 pickups for around \$30 million dollars. The first batch of 1,000 pickups will

arrive in the Benghazi Port at the end of March and the remaining 2,300 units will be delivered by June. The vehicles will service Libyan governmental departments including the departments of energy, electricity, medical care and sanitation, as well as traffic and transportation. GWM's technicians are already in Libya in order to develop after sales service.
[Tripoli Post, 3/25/2009]

INDUSTRIAL

¶34. (U) Ace Hardware to Open Six Stores in Libya: Ace Hardware Corp., a retail cooperative, based in Oak Brook, Illinois, announced its plans to open six stores in Libya during the next 10 years, beginning with two stores this year in Tripoli. Ace Hardware agreed to terms of a license agreement with Technology Corner, a consortium of Libyan business interests. The stores would be the first free-standing hardware outlets in Libya. Ace Hardware has 4,600 stores worldwide in more than 60 countries, including Kuwait, Saudi Arabia and United Arab Emirates.
[Tripoli Post, 3/1/2009]
CRETZ